

SENATE BILL REPORT

SB 5113

As Reported By Senate Committee On:
Energy, Technology & Telecommunications, February 25, 1999

Title: An act relating to requiring a formal hearing on proposed water company rate increases when requested by affected customers.

Brief Description: Requiring a formal hearing on proposed water company rate increases when requested by affected customers.

Sponsors: Senator T. Sheldon.

Brief History:

Committee Activity: Energy, Technology & Telecommunications: 2/2/99, 2/25/99 [DPS].

SENATE COMMITTEE ON ENERGY, TECHNOLOGY & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5113 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Goings, Vice Chair; Fairley, Hochstatter, Roach and Rossi.

Staff: Andrea McNamara (786-7483)

Background: Under current law, when a regulated water company files a tariff revision for a rate increase, the Washington Utilities and Transportation Commission (WUTC) has 30 days in which to approve the proposal or initiate an investigation.

During the 30-day period, WUTC staff review the request, audit the books and records of the company, and make a recommendation to the commission. They also provide the commission with summaries of customer comments on the proposal. By the end of the 30 days, the WUTC may approve the tariff revision at an open meeting, or may set the matter for a formal hearing in front of an administrative law judge.

In 1998, the WUTC received 16 water rate filings. Over the past six years, two water filings have gone to a formal hearing, and the others have been resolved at open meetings.

Concerns have been raised that the process allowing the WUTC to approve water rate increases at an open meeting does not give affected customers sufficient opportunity to present evidence and arguments in opposition to the rate increases.

It has been suggested that requiring a more formal hearing process prior to approval of water rate increases would better protect the rights of customers to review and challenge such increases.

Summary of Substitute Bill: The Washington Utilities and Transportation Commission (WUTC) is required, when it receives public comment at an open meeting in opposition to a proposed change in water company rates, to suspend the proposed change for up to 14 days for the limited purposes of receiving and considering the testimony.

The WUTC must provide to water company customers, upon request, an information document that explains the types of complaints over which the WUTC has authority to act; the standards by which the WUTC must determine whether a water company is entitled to a proposed change in its rates; the process and timelines in which the WUTC must act on a proposed change; and how a customer can appeal a final order.

The information document must be prepared by the WUTC no later than September 1, 1999, with the participation of the public counsel section of the Attorney General's Office and the Department of Health.

Substitute Bill Compared to Original Bill: The substitute bill eliminates the requirement that the WUTC conduct a formal adjudicative proceeding on a proposed water company rate increase when 10 percent or more of the affected customers object to the increase, and instead requires the commission to suspend changes until 14 days after an open meeting in order to consider public testimony.

The substitute bill also requires the preparation and distribution of a customer information packet.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: WUTC's procedures for reviewing water company rate increases need to be more responsive to customers. Open public meetings do not provide a sufficient opportunity for ratepayers to have their views considered, especially when the commissioners make their decisions immediately after receiving testimony. The process for appealing an adverse decision is so complicated that the commission staff cannot explain it to customers, and no customer has ever been able to do it.

Testimony Against (Original Bill): The bill would remove the WUTC's discretion to use informal procedures, which are far less costly than formal adjudications and more appropriate in many instances. In many cases, customer objections focus on service quality issues that the commission is not allowed to consider when deciding whether a rate increase is warranted, so requiring formal adjudicative proceedings would not change the outcome.

Testified: PRO: Senator T. Sheldon, prime sponsor; Mark Blosser, Shadowood HOA; CON: Teresa Osinski, WUTC; Gene Eckhardt, WUTC.